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SUBJECT: GULF COOPERATION COUNCIL LOOKING FOR GREATER TRADE
AND INVESTMENT WITH U.S.

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[1](#)1. (SBU) Summary: The Gulf Cooperation Council is very interested in pursuing closer trade and investment ties with the United States, and made a strong pitch for the U.S. to consider concluding some kind of agreement with the GCC as a whole. GCC officials noted that GCC rules actually prohibit individual member states from signing trade agreements with other countries, and argued that the GCC common market offers a much more tempting target for a trade partner than any single member state. Finally, they noted that the U.S. runs the risk of losing out to its competitors, which have already concluded free trade agreements with the GCC. The GCC is also interested in pursuing cooperation with the United States on food security, both in coordinating assistance policies to food exporting countries and in potential investments in the U.S. The GCC continues to foster greater economic linkages among members, and will hold the first meeting of the Monetary Council at the end of March, which will chart the timetable for monetary union among the four interested member states. End Summary.

[1](#)2. (SBU) On February 13, Assistant Secretary General Mohammed Al-Mazrooei and staff of the Gulf Cooperation Council (GCC) briefed visiting Treasury A/Assistant Secretary Andrew Baukol and EconCouns on their interest in expanding trade and investment links with the United States. Al-Mazrooei made a strong pitch that dealing with the GCC as a whole would offer the U.S. a much bigger trade and investment market than individual states, representing close to 40 million people. The GCC has found negotiating as a group to be attractive to a number of other partners, with whom it has signed free trade agreements. Al-Mazrooei noted that the GCC is very close to finalizing its agreement with the EU (GCC officials have told us it is down to two articles). The GCC understands that the U.S. preference is for bilateral agreements, but Al-Mazrooei made a strong pitch to consider concluding one with the GCC as a whole, which he argued could be much faster than trying to get the same advantage by negotiating country by country. He also noted that the GCC regulations technically prohibit individual member states from signing free trade agreements, precisely because the GCC wants these agreements to support its common market.

[1](#)3. (SBU) Al-Mazrooei understood that the Administration lacked current authority to enter into new free trade agreements. He said that the GCC would welcome any kind of trade agreement, such as a Trade and Investment Framework Agreement (TIFA), which would help the two sides boost trade

and investment. The GCC officials argued that the United States is missing an opportunity that its competitors, like India and China, are taking advantage of. The U.S. could find in a few short years that the lack of a free trade agreement left it with a smaller share of the GCC market than it would otherwise have. The GCC officials also argued that the U.S. should elevate its trade and investment ties to match the strong security partnerships it had with the member states.

Food Security:

14. (SBU) The GCC has been closely following the issue of food security, and the December Summit reviewed a study on the effects of the financial crisis on GCC food security. The summit approved the report's recommendations for the GCC to adopt a single food security policy for all six members, to consider coordinating water use and land permitting policies, coordinate education policies to reduce water usage, and to consider pursuing joint investments in countries. GCC agriculture ministers will meet in Kuwait in June to follow up on these recommendations, as well as to consider how to increase the role of agriculture in GDP in a sustainable way, and improve the quality and quantity of output, particularly of native crops. In that regard, the GCC would welcome cooperation to share technology and know how with U.S. organizations on desalination, hydroponics, arid land agriculture and irrigation. The GCC will also coordinate its activities with international organizations, such as the FAO and IFAD.

15. (SBU) Al-Mazrooei noted that the GCC states' shortage of water will leave them dependent on food imports. The GCC is concerned both about availability and about prices. Its experience in 2007 suggested that there can be significant problems with both issues. Al-Mazrooei said that importing food at sky-high prices was not food security. While several member states have concluded agreements with exporters, the GCC is concerned that, in case of severe shortage, exporters will restrict supplies to make sure their domestic populations can eat. Thus, the GCC is focused on doing what it can to secure supplies of nine key staples (such as rice, wheat, milk, meat, oil, sugar and lentils). It is also looking to conclude agreements with stable countries, and is placing particular focus on the U.S. The GCC would welcome exchanging views with U.S. experts on potential areas of foreign assistance cooperation in food-producing poorer countries, which might help inform the June meeting of agricultural ministers.

Monetary Union:

16. (SBU) Al-Mazrooei noted that, when the GCC started discussing a monetary union in 2001, all six members were interested. Oman decided not to proceed "at this stage," and the UAE pulled out in 2009. In 2002, the GCC agreed to set a dollar peg, and in 2005, they agreed on the convergence criteria they would use to adopt a single currency. The GCC had hoped to launch a common currency in 2010, but ran into "technical difficulties," including a lack of coordination meetings, that will delay it for some time. In the December 2009 GCC summit, the leaders agreed on a charter and the way forward for a Monetary Council, which will hold its first meeting at the end of March. Al-Mazrooei explained that the Monetary Council will determine the timetable from now on, including key benchmarks.

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